Ryerson Holding Corp
Form 10-Q
May 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission File Number 001-34735

RYERSON HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	26-1251524
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

227 W. Monroe St., 27th Floor

Chicago, Illinois 60606

(Address of principal executive offices)

(312) 292-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Emerging growth company
Non-accelerated filer	Smaller reporting company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 1, 2017, there were 37,176,861 shares of Common Stock, par value $0.01 per share, outstanding.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

(In millions, except per share data)

	Three Months Ended March 31,	
	2017	2016
Net sales	$814.5	$702.6
Cost of materials sold	653.9	555.0
Gross profit	160.6	147.6
Warehousing, delivery, selling, general and administrative	117.3	109.3
Operating profit	43.3	38.3
Other income and (expense), net	0.3	5.3
Interest and other expense on debt	(21.8)	(22.0)
Income before income taxes	21.8	21.6
Provision for income taxes	6.8	8.1
Net income	15.0	13.5
Less: Net income attributable to noncontrolling interest	0.2	—
Net income attributable to Ryerson Holding Corporation	$14.8	$13.5
Comprehensive income	$16.3	$21.9
Less: Comprehensive income attributable to noncontrolling interest	0.5	—
Comprehensive income attributable to Ryerson Holding Corporation	$15.8	$21.9
Basic and diluted earnings per share	$0.40	$0.42

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In millions)

	Three Months Ended March 31,	
	2017	2016
Operating activities:		
Net income	$15.0	$13.5
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10.7	10.9
Stock-based compensation	0.3	0.2
Deferred income taxes	6.6	8.4
Provision for allowances, claims and doubtful accounts	0.3	0.9
Gain on retirement of debt	—	(8.2)
Non-cash (gain) loss from derivatives	0.1	(3.2)
Other items	(0.2)	(0.1)
Change in operating assets and liabilities:		
Receivables	(81.9)	(36.0)
Inventories	(52.8)	(12.6)
Other assets	1.0	9.2
Accounts payable	60.1	54.6
Accrued liabilities	16.4	16.9
Accrued taxes payable/receivable	(1.2)	0.2
Deferred employee benefit costs	(6.9)	(7.7)
Net adjustments	(47.5)	33.5
Net cash provided by (used in) operating activities	(32.5)	47.0
Investing activities:		
Acquisitions, net of cash acquired	(49.4)	—
Increase in restricted cash	(0.2)	(0.9)
Capital expenditures	(4.0)	(5.4)
Proceeds from sale of property, plant and equipment	1.7	1.2
Net cash used in investing activities	(51.9)	(5.1)
Financing activities:		
Repayment of debt	—	(16.9)
Net proceeds (repayments) of short-term borrowings	26.8	(23.5)
Net increase in book overdrafts	41.8	4.4
Principal payments on capital lease obligations	(3.0)	(1.3)
Proceeds from sale leaseback transactions	9.7	—
Net cash provided by (used in) financing activities	75.3	(37.3)
Net increase (decrease) in cash and cash equivalents	(9.1)	4.6
Effect of exchange rate changes on cash and cash equivalents	0.5	2.7
Net change in cash and cash equivalents	(8.6)	7.3
Cash and cash equivalents—beginning of period	80.7	63.2
Cash and cash equivalents—end of period	$72.1	$70.5
Supplemental disclosures:		

Cash paid during the period for:		
Interest paid to third parties	$2.3	$3.5
Income taxes, net	0.7	0.4
Noncash investing activities:		
Asset additions under capital leases and sale-leasebacks	$15.2	$0.5

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Condensed Consolidated Balance Sheets

(In millions, except shares)

	March 31, 2017 (unaudited)	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 72.1	$ 80.7
Restricted cash	1.2	1.0
Receivables less provision for allowances, claims and doubtful accounts of $5.9 in 2017 and $4.6 in 2016	413.7	326.0
Inventories	624.1	563.4
Prepaid expenses and other current assets	26.4	26.7
Total current assets	1,137.5	997.8
Property, plant, and equipment, at cost	708.0	668.7
Less: Accumulated depreciation	289.9	280.5
Property, plant and equipment, net	418.1	388.2
Deferred income taxes	12.6	24.4
Other intangible assets	50.8	40.8
Goodwill	115.7	103.2
Deferred charges and other assets	4.2	4.3
Total assets	$ 1,738.9	$ 1,558.7
Liabilities		
Current liabilities:		
Accounts payable	$ 337.0	$ 230.4
Salaries, wages and commissions	32.6	36.8
Other accrued liabilities	59.6	37.7
Short-term debt	23.8	19.2
Current portion of deferred employee benefits	8.3	8.3
Total current liabilities	461.3	332.4
Long-term debt	968.7	944.3
Deferred employee benefits	291.5	298.8
Taxes and other credits	50.1	32.5
Total liabilities	1,771.6	1,608.0
Commitments and contingencies		
Equity		
Ryerson Holding Corporation stockholders' equity (deficit):		
Preferred stock, $0.01 par value; 7,000,000 shares authorized and no shares issued at 2017 and 2016	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 37,345,117 shares issued at 2017 and 2016	0.4	0.4
Capital in excess of par value	375.7	375.4
Accumulated deficit	(97.4)	(112.2)
Treasury stock at cost – Common stock of 212,500 shares in 2017 and 2016	(6.6)	(6.6)
Accumulated other comprehensive loss	(306.8)	(307.8)

Total Ryerson Holding Corporation stockholders' equity (deficit)	(34.7)	(50.8)
Noncontrolling interest	2.0	1.5
Total equity (deficit)	(32.7)	(49.3)
Total liabilities and equity	$ 1,738.9	$ 1,558.7

See Notes to Condensed Consolidated Financial Statements.

RYERSON HOLDING CORPORATION AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1: FINANCIAL STATEMENTS

Ryerson Holding Corporation ("Ryerson Holding"), a Delaware corporation, is the parent company of Joseph T. Ryerson & Son, Inc. ("JT Ryerson"), a Delaware corporation. Affiliates of Platinum Equity, LLC ("Platinum") own approximately 21,037,500 shares of our common stock, which is approximately 57% of our issued and outstanding common stock.

We are a metals service center, with operations in the United States through JT Ryerson, in Canada through our indirect wholly-owned subsidiary Ryerson Canada, Inc., a Canadian corporation ("Ryerson Canada") and in Mexico through our indirect wholly-owned subsidiary Ryerson Metals de Mexico, S. de R.L. de C.V., a Mexican corporation ("Ryerson Mexico"). In addition to our North American operations, we conduct materials distribution operations in China through Ryerson China Limited ("Ryerson China"). Unless the context indicates otherwise, Ryerson Holding, JT Ryerson, Ryerson Canada, Ryerson China, and Ryerson Mexico together with their subsidiaries, are collectively referred to herein as "Ryerson," "we," "us," "our," or the "Company."

The following table shows our percentage of sales by major product lines for the three months ended March 31, 2017 and 2016, respectively:

Product Line	Three Months Ended March 31, 2017	2016
Carbon Steel Flat	27 %	25 %
Carbon Steel Plate	10	10
Carbon Steel Long	13	16
Stainless Steel Flat	19	16
Stainless Steel Plate	4	4
Stainless Steel Long	4	3
Aluminum Flat	15	16
Aluminum Plate	3	3
Aluminum Long	4	5
Other	1	2
Total	100 %	100 %

Results of operations for any interim period are not necessarily indicative of results of any other periods or for the year. The condensed consolidated financial statements as of March 31, 2017 and for the three months ended March 31, 2017 and 2016 are unaudited, but in the opinion of management include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The year-end condensed consolidated balance sheet data contained in this report was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements

and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Impact of Recently Issued Accounting Standards—Adopted

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-07, “Investments – Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting.” The amendment eliminates the retroactive adjustments to an investment upon it qualifying for the equity method of accounting as a result of an increase in the level of ownership interest or degree of influence by the investor. ASU 2016-07 requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment qualifies for equity method accounting. The update was effective for interim and annual reporting periods beginning after December 15, 2016. We adopted this guidance for our fiscal year beginning January 1, 2017. The adoption of this guidance did not have an impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, “Clarifying the Definition of a Business”. The guidance in ASU 2017-01 was issued to provide clarity of the definition of a business with the objective to assist entities in the evaluation of whether a transaction should be accounted for as an acquisition of assets or a business. The update is effective for fiscal years beginning after December 15, 2017, and is to be applied on a prospective basis. Early adoption is permitted. We adopted this guidance for our fiscal year beginning January 1, 2017. The adoption of this guidance did not have an impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment”. The objective of the guidance in ASU 2017-04 is to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. To test goodwill under this amendment, an entity should perform its annual impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized in the amount the carrying amount exceeds the reporting unit’s fair value; however, the loss should not exceed the total amount of goodwill allocated to the reporting unit. The update is effective for fiscal years beginning after December 15, 2020, and is to be applied on a prospective basis. Early adoption is permitted. We adopted this guidance for our fiscal year beginning January 1, 2017. The adoption of this guidance did not have an impact on our consolidated financial statements.

Impact of Recently Issued Accounting Standards—Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which creates Accounting Standards Codification (“ASC”) 606 “Revenue from Contracts with Customers” and supersedes the revenue recognition requirements in ASC 605 “Revenue Recognition.” The guidance in ASU 2014-09 and subsequently issued amendments (including ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)” and ASU 2016-10, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing” outlines a comprehensive model for all entities to use in accounting for revenue arising from contracts with customers as well as required disclosures. Entities have the option of using either a full retrospective or modified approach to adopt the new guidance. The new revenue standard is effective for interim reporting periods within annual reporting periods beginning after December 15, 2017. Early adoption is permitted. We have established a project management team to analyze the impact of this standard by reviewing our current accounting policies and practices to identify potential differences that would result from the application of this standard. We anticipate minimal changes are going to be required to our business process, systems and controls to effectively report revenue recognition and disclosures under the new standard. As such, even though we are evaluating the impact of the adoption of the new standard, we do not expect this standard to have a material impact on our consolidated financial statements. We have not yet made a decision with respect to the method of adoption of these accounting changes.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in ASU 2016-01 change the accounting for non-consolidated equity investments that are not accounted for under the equity method of accounting by requiring changes in fair value to be recognized in net income. Under current guidance, changes in fair value for investments of this nature are recognized in accumulated other comprehensive income as a component of stockholders’ equity. Additionally, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values; requires entities to use the exit price when estimating the fair value of financial instruments; and modifies various presentation disclosure requirements for financial instruments. The amendments should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. The update is effective for

interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. We will adopt this guidance for our fiscal year beginning January 1, 2018. We are still assessing the impact of adoption on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases” codified in ASC 842, “Leases.” The guidance requires that lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The amendment also will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The update is effective for interim and annual reporting periods beginning after December 15, 2018. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, and have the option to use certain relief. Full retrospective application is prohibited. Early adoption is permitted. We will adopt this guidance for our fiscal year beginning January 1, 2019. We are still assessing the impact of adoption on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments.” The amendment requires financial assets measured at amortized cost basis to be presented at the net amount

expected to be collected, thus eliminating the probable initial recognition threshold and instead reflecting the current estimate of all expected credit losses. The amendment also requires that credit losses relating to available-for-sale debt securities be recorded through an allowance for credit losses rather than a write-down, thus enabling the ability to record reversals of credit losses in current period net income. The update is effective for interim and annual reporting periods beginning after December 15, 2019. An entity will apply the amendment through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this Update. Early adoption is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We will adopt this guidance for our fiscal year beginning January 1, 2020. We are still assessing the impact of adoption on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows – Classification of Certain Cash Receipts and Certain Cash Payments.” The amendments address the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update is effective for interim and annual reporting periods beginning after December 15, 2017. The amendments should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. Early adoption is permitted. We will adopt this guidance for our fiscal year beginning January 1, 2018. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, “Income Taxes – Intra-Entity Transfers of Assets Other Than Inventory.” The amendment requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The update is effective for interim and annual reporting periods beginning after December 15, 2017. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted. We will adopt this guidance for our fiscal year beginning January 1, 2018. We are still assessing the impact of adoption on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18 “Statement of Cash Flows – Restricted Cash.” The amendment requires entities to include in their cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU does not define the terms “restricted cash” and “restricted cash equivalents.” The update is effective for interim and annual reporting periods beginning after December 15, 2017. The amendments should be applied using a retrospective transition method to each period presented. Early adoption is permitted. We will adopt this guidance for our fiscal year beginning January 1, 2018. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

NOTE 3: INVENTORIES

The Company primarily uses the last-in, first-out (“LIFO”) method of valuing inventory. Interim LIFO calculations are based on actual inventory levels.

Inventories, at stated LIFO value, were classified at March 31, 2017 and December 31, 2016 as follows:

	March 31, 2017	December 31, 2016
	(In millions)	
In process and finished products	$624.1	$ 563.4

If current cost had been used to value inventories, such inventories would have been $92 million and $115 million lower than reported at March 31, 2017 and December 31, 2016, respectively. Approximately 90% of inventories are accounted for under the LIFO method at March 31, 2017 and December 31, 2016. Non-LIFO inventories consist primarily of inventory at our foreign facilities using the weighted-average cost and the specific cost methods. Substantially all of our inventories consist of finished products.

Inventories are stated at the lower of cost or market value. We record amounts required, if any, to reduce the carrying value of inventory to its lower of cost or market as a charge to cost of materials sold. The lower of cost or market reserve totaled zero and $23.9 million at March 31, 2017 and December 31, 2016, respectively.

The Company has consignment inventory at certain customer locations, which totaled $10.3 million and $11.1 million at March 31, 2017 and December 31, 2016, respectively.

NOTE 4: GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill, which represents the excess of cost over the fair value of net assets acquired, amounted to $115.7 and $103.2 million at March 31, 2017 and December 31, 2016, respectively. We recognized $12.5 million of goodwill during the first quarter of 2017 related to the acquisitions discussed in Note 5: Acquisitions. Pursuant to ASC 350, "Intangibles – Goodwill and Other," we review the recoverability of goodwill annually as of October 1 or whenever significant events or changes occur which might impair the recovery of recorded amounts. The most recently completed impairment test of goodwill was performed as of October 1, 2016, and it was determined that no impairment existed in 2016.

Other intangible assets with finite useful lives continue to be amortized over their useful lives. During the first quarter of 2017 we recognized $11.5 million in intangibles related to the acquisitions discussed in Note 5: Acquisitions. We review the recoverability of our long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable.

Purchase accounting for the two acquisitions in the first quarter of 2017 is preliminary as of March 31, 2017.

NOTE 5: ACQUISITIONS

On January 19, 2017, Ryerson Holding acquired The Laserflex Corporation ("Laserflex"), a privately owned metal fabricator specializing in laser fabrication metal processing and welding with locations in Columbus, Ohio and Wellford, South Carolina. The acquisition is not material to our consolidated financial statements.

On February 15, 2017, Ryerson Holding acquired Guy Metals, Inc. ("Guy Metals"), a privately owned metal service center company located in Hammond, Wisconsin. The acquisition is not material to our consolidated financial statements.

NOTE 6: LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016
	(In millions)	
Ryerson Credit Facility	$334.3	$ 312.0

11.00% Senior Secured Notes due 2022	650.0	650.0
Foreign debt	23.8	19.2
Other debt	1.0	—
Unamortized debt issuance costs and discounts	(16.6)	(17.7)
Total debt	992.5	963.5
Less: Short-term foreign debt	23.8	19.2
Total long-term debt	$968.7	$ 944.3

Ryerson Credit Facility

On November 16, 2016, Ryerson entered into an amendment with respect to its $1.0 billion revolving credit facility agreement (as amended, the “Ryerson Credit Facility”), to reduce the total facility size from $1.0 billion (the “Old Credit Facility”) to $750 million, reduce the interest rate on outstanding borrowings by 25 basis points, reduce commitment fees on amounts not borrowed by 2.5 basis points, and to extend the maturity date to November 16, 2021.

At March 31, 2017, Ryerson had $334.3 million of outstanding borrowings, $16 million of letters of credit issued and $250 million available under the Ryerson Credit Facility compared to $312.0 million of outstanding borrowings, $16 million of letters of credit issued and $225 million available at December 31, 2016. Total credit availability is limited by the amount of eligible accounts receivable, inventory, and qualified cash pledged as collateral under the agreement insofar as Ryerson is subject to a borrowing base comprised of the aggregate of these three amounts, less applicable reserves. Eligible accounts receivable, at any date of determination, is comprised of the aggregate value of all accounts directly created by a borrower (and in the case of Canadian accounts, a Canadian guarantor) in the ordinary course of business arising out of the sale of goods or the rendering of services, each of which has been invoiced, with such receivables adjusted to exclude various ineligible accounts, including, among other things, those to which a borrower (or guarantor, as applicable) does not have sole and absolute title and accounts arising out of a sale to an employee, officer, director, or affiliate of a borrower (or guarantor, as applicable). Eligible inventory, at any date of determination, is comprised of the

net orderly liquidation value of all inventory owned by a borrower (and in the case of Canadian accounts, a Canadian guarantor). Qualified cash consists of cash in an eligible deposit account that is subject to customary restrictions and liens in favor of the lenders.

The Ryerson Credit Facility has an allocation of $660 million to the Company's subsidiaries in the United States and an allocation of $90 million to Ryerson Holding's Canadian subsidiary that is a borrower. Amounts outstanding under the Ryerson Credit Facility bear interest at (i) a rate determined by reference to (A) the base rate (the highest of the Federal Funds Rate plus 0.50%, Bank of America, N.A.'s prime rate and the one-month LIBOR rate plus 1.00%) or (B) a LIBOR rate or, (ii) for Ryerson Holding's Canadian subsidiary that is a borrower, (A) a rate determined by reference to the Canadian base rate (the greatest of the Federal Funds Rate plus 0.50%, Bank of America-Canada Branch's "base rate" for commercial loans in U.S. Dollars made at its "base rate" and the 30 day LIBOR rate plus 1.00%), (B) the prime rate (the greater of Bank of America-Canada Branch's "prime rate" for commercial loans made by it in Canada in Canadian Dollars and the one-month Canadian bankers' acceptance rate plus 1.00%) or (C) the bankers' acceptance rate. The spread over the base rate and prime rate is between 0.25% and 0.50% and the spread over the LIBOR and for the bankers' acceptances is between 1.25% and 1.50%, depending on the amount available to be borrowed under the Ryerson Credit Facility. Overdue amounts and all amounts owed during the existence of a default bear interest at 2% above the rate otherwise applicable thereto. Ryerson also pays commitment fees on amounts not borrowed at a rate of 0.23%.

We attempt to minimize interest risk exposure through the utilization of interest rate swaps, which are derivative financial instruments. On March 3, 2017 we entered into an interest rate swap to fix interest on $150 million of our floating rate debt under the Ryerson Credit Facility at a rate of 1.658% through March 2020. The swap has reset dates and critical terms that match our existing debt and the anticipated critical terms of future debt. The weighted average interest rate on the outstanding borrowings under the Ryerson Credit Facility including the interest rate swap was 2.7 percent and 2.2 percent at March 31, 2017 and December 31, 2016, respectively.

Borrowings under the Ryerson Credit Facility are secured by first-priority liens on all of the inventory, accounts receivables, lockbox accounts and related assets of the borrowers and the guarantors.

The Ryerson Credit Facility also contains covenants that, among other things, restrict Ryerson Holding and its restricted subsidiaries with respect to the incurrence of debt, the creation of liens, transactions with affiliates, mergers and consolidations, sales of assets and acquisitions. The Ryerson Credit Facility also requires that, if availability under the Ryerson Credit Facility declines to a certain level, Ryerson maintain a minimum fixed charge coverage ratio as of the end of each fiscal quarter, and includes defaults upon (among other things) the occurrence of a change of control of Ryerson and a cross-default to other financing arrangements.

The Ryerson Credit Facility contains events of default with respect to, among other things, default in the payment of principal when due or the payment of interest, fees and other amounts due thereunder after a specified grace period, material misrepresentations, failure to perform certain specified covenants, certain bankruptcy events, the invalidity of certain security agreements or guarantees, material judgments and the occurrence of a change of control of Ryerson. If such an event of default occurs, the lenders under the Ryerson Credit Facility will be entitled to various remedies, including acceleration of amounts outstanding under the Ryerson Credit Facility and all other actions permitted to be taken by secured creditors.

The lenders under the Ryerson Credit Facility have the ability to reject a borrowing request if any event, circumstance or development has occurred that has had or could reasonably be expected to have a material adverse effect on the Company. If Ryerson Holding, JT Ryerson, any of the other borrowers or any restricted subsidiaries of JT Ryerson becomes insolvent or commences bankruptcy proceedings, all amounts borrowed under the Ryerson Credit Facility will become immediately due and payable.

Proceeds from borrowings under the Ryerson Credit Facility and repayments of borrowings thereunder that are reflected in the Consolidated Statements of Cash Flows represent borrowings under the Company's revolving credit agreement with original maturities greater than three months. Net proceeds (repayments) under the Ryerson Credit Facility represent borrowings under the Ryerson Credit Facility with original maturities less than three months.

2022 Notes

On May 24, 2016, JT Ryerson issued $650 million in aggregate principal amount of the 2022 Notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 11.00% per annum. The 2022 Notes are fully and unconditionally guaranteed on a senior secured basis by all of our existing and future domestic subsidiaries that are co-borrowers or that have guarantee obligations under the Ryerson Credit Facility.

The 2022 Notes and the related guarantees are secured by a first-priority security interest in substantially all of JT Ryerson's and each guarantor's present and future assets located in the United States (other than receivables, inventory, money, deposit accounts and related general intangibles, certain other assets and proceeds thereof), subject to certain exceptions and customary permitted liens. The 2022 Notes and the related guarantees are also secured on a second-priority basis by a lien on the assets that secure JT Ryerson's and the Company's obligations under the Ryerson Credit Facility.

The 2022 Notes will be redeemable, in whole or in part, at any time on or after May 15, 2019 at certain redemption prices. The redemption price for the 2022 Notes if redeemed during the twelve months beginning (i) May 15, 2019 is 105.50%, (ii) May 15, 2020 is 102.75%, and (iii) May 15, 2021 and thereafter is 100.00%. JT Ryerson may redeem some or all of the 2022 Notes before May 15, 2019 at a redemption price of 100.00% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium. In addition, JT Ryerson may redeem up to 35% of the 2022 Notes before May 15, 2019 with respect to the 2022 Notes with the net cash proceeds from certain equity offerings at a price equal to 111.00%, with respect to the 2022 Notes, of the principal amount thereof, plus any accrued and unpaid interest, if any. JT Ryerson may be required to make an offer to purchase the 2022 Notes upon the sale of assets or upon a change of control.

The 2022 Notes contain customary covenants that, among other things, limit, subject to certain exceptions, our ability, and the ability of our restricted subsidiaries, to incur additional indebtedness, pay dividends on our capital stock or repurchase our capital stock, make investments, sell assets, engage in acquisitions, mergers or consolidations or create liens or use assets as security in other transactions. Subject to certain exceptions, JT Ryerson may only pay dividends to Ryerson Holding to the extent of 50% of future net income, once prior losses are offset.

During the first three months of 2016, a principal amount of $25.1 million of the 11.25% Senior Secured Notes due 2018 (the "2018 Notes") were repurchased for $16.9 million and retired, resulting in the recognition of a $8.2 million gain within other income and (expense), net on the Condensed Consolidated Statement of Comprehensive Income.

Foreign Debt

At March 31, 2017, Ryerson China's foreign borrowings were $23.8 million, which were owed to banks in Asia at a weighted average interest rate of 4.1% per annum and secured by its inventory and property, plant and equipment. At December 31, 2016, Ryerson China's foreign borrowings were $19.2 million, which were owed to banks in Asia at a weighted average interest rate of 4.4% per annum and secured by its inventory and property, plant and equipment.

Availability under the Ryerson China credit facility was $21 million and $26 million at March 31, 2017 and December 31, 2016, respectively. Letters of credit issued by our foreign subsidiaries were $1 million at March 31, 2017 and December 31, 2016.

NOTE 7: EMPLOYEE BENEFITS

The following table summarizes the components of net periodic benefit (credit) cost for the three months ended March 31, 2017 and 2016 for the Ryerson pension plans and postretirement benefits other than pension:

	Three Months Ended March 31,			
	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
	(In millions)			
Components of net periodic benefit (credit) cost				
Interest cost	$7	$7	$1	$ 1
Expected return on assets	(10)	(11)	—	—

Recognized actuarial (gain) loss	3	3	(2)	(2)
Amortization of prior service credit	—	—	(1)	(1)
Net periodic benefit credit	$—	$(1)	$(2)	$ (2)

The Company has contributed $3 million to the pension plan fund through the three months ended March 31, 2017 and anticipates that it will have a minimum required pension contribution funding of approximately $19 million for the remaining nine months of 2017.

NOTE 8: COMMITMENTS AND CONTINGENCIES

In October 2011, the United States Environmental Protection Agency (the "EPA") named us as one of more than 100 businesses that may be a potentially responsible party for the Portland Harbor Superfund Site (the "PHS Site"). On January 6, 2017, the EPA issued its Record of Decision ("ROD") regarding the site. The ROD includes a combination of dredging, capping and enhanced natural recovery that would take approximately thirteen years to construct plus additional time for monitored natural recovery, at an estimated present value cost of $1.05 billion. The EPA has not yet allocated responsibility for the contamination among the potentially responsible parties, including JT Ryerson. We do not currently have sufficient information available to us to determine whether the ROD will be executed as currently stated, whether and to what extent JT Ryerson may be held responsible for any of the identified contamination, and how much (if any) of the final plan's costs might ultimately be allocated to JT Ryerson. Therefore, management cannot predict the ultimate outcome of this matter or estimate a range of potential loss at this time.

There are various other claims and pending actions against the Company. The amount of liability, if any, for those claims and actions at March 31, 2017 is not determinable but, in the opinion of management, such liability, if any, will not have a material adverse effect on the Company's financial position, results of operations or cash flows. We maintain liability insurance coverage to assist in protecting our assets from losses arising from or related to activities associated with business operations.

NOTE 9: DERIVATIVES AND FAIR VALUE MEASUREMENTS

Derivatives

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, foreign currency risk, and commodity price risk. Interest rate swaps are entered into to manage interest rate risk associated with the Company's floating-rate borrowings. We use foreign currency exchange contracts to hedge our Canadian subsidiaries' variability in cash flows from the forecasted payment of currencies other than the functional currency. From time to time, we may enter into fixed price sales contracts with our customers for certain of our inventory components. We may enter into metal commodity futures and options contracts periodically to reduce volatility in the price of metals. We may also enter into natural gas and diesel fuel price swaps to manage the price risk of forecasted purchases of natural gas and diesel fuel.

The Company currently does not account for its commodity contracts and foreign exchange derivative contracts as hedges but rather marks them to market with a corresponding offset to current earnings. The Company accounts for its interest rate swap as a cash flow hedge of floating-rate borrowings with changes in fair value being recorded in accumulated other comprehensive income.

We have a receive variable, pay fixed interest rate swap to manage the exposure to variable interest rates of our credit facility. On March 3, 2017, we entered into a forward agreement for $150 million of "pay fixed" interest at 1.658%, "receive variable" interest rate swap to manage the risk of increasing variable interest rates. The interest rate reset dates and critical terms match the terms of our existing debt and anticipated critical terms of future debt under the Ryerson Credit Facility. The fair value of the interest rate swaps as of March 31, 2017 was zero. Total gains or losses recognized on the hedge for the three months ended March 31, 2017 was zero.

The Company regularly reviews the creditworthiness of its derivative counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements.

The following table summarizes the location and fair value amount of our derivative instruments reported in our Condensed Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016:

	Asset Derivatives			Liability Derivatives		
Derivatives not designated as hedging instruments under ASC 815	Balance Sheet Location	March 31, 2017	December 31, 2016	Balance Sheet Location	March 31, 2017	December 31, 2016
	(In millions)					
Commodity contracts	Prepaid expenses and	2.7	2.0	Other accrued	1.0	0.2

	other current assets			liabilities		
Total derivatives		$ 2.7	$ 2.0		$ 1.0	$ 0.2

As of March 31, 2017 and December 31, 2016, the Company's foreign currency exchange contracts had a U.S. dollar notional amount of $2.4 million and $2.3 million, respectively. As of March 31, 2017 and December 31, 2016, the Company had 286 tons and 296 tons, respectively, of nickel futures or option contracts related to forecasted purchases. As of March 31, 2017 and December 31, 2016, the Company had 8,841 tons and 11,998 tons, respectively, of hot roll coil option contracts related to forecasted purchases and sales. The Company has aluminum price swaps related to forecasted purchases, which had a notional amount of 1,477 tons and 8,466 tons as of March 31, 2017 and December 31, 2016, respectively. As of March 31, 2017 and December 31, 2016, the Company had zero gallons and 39,000 gallons, respectively, of diesel fuel hedge contracts related to forecasted purchases. The Company had 60,000 tons and zero tons of iron ore contracts as of March 31, 2017 and December 31, 2016, respectively. As of March 31, 2017, the Company had a notional amount of $150 million of the Ryerson Credit Facility hedged by an interest rate swap.

The following table summarizes the location and amount of gains and losses reported in our Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2017 and 2016:

Derivatives not designated as hedging instruments under ASC 815	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain/(Loss) Recognized in Income on Derivati	
		Three Months Ended March 31,	
		2017	2016
		(In millions)	
Metal commodity contracts	Cost of materials sold	$ 1.3	$ 2.2
Foreign exchange contracts	Other income and (expense), net	—	(0.2)
Total		$ 1.3	$ 2.0

Fair Value Measurements

To increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

1. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.
2. Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
3. Level 3 – unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of March 31, 2017:

	At March 31, 2017		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Prepaid and other current assets:			
Common stock—available-for-sale investments	$ 0.4	$ —	$ —
Mark-to-market derivatives:			
Commodity contracts	$ —	$ 2.7	$ —
Liabilities			
Mark-to-market derivatives:			
Commodity contracts	$ —	$ 1.0	$ —

The following table presents assets and liabilities measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2016:

	At December 31, 2016		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Prepaid and other current assets:			
Common stock – available-for-sale investment	$0.4	$ —	$ —
Mark-to-market derivatives:			
Commodity contracts	$—	$ 2.0	$ —
Liabilities			
Mark-to-market derivatives:			
Commodity contracts	$—	$ 0.2	$ —

The fair value of each derivative contract is determined using Level 2 inputs and the market approach valuation technique, as described in ASC 820. The Company has various commodity derivatives to lock in nickel prices for varying time periods. The fair value of these derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the London Metals Exchange for nickel on the valuation date. The Company also has commodity derivatives to lock in hot roll coil, iron ore, and aluminum prices for varying time periods. The fair value of hot roll coil, iron ore, and aluminum derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price on the Chicago Mercantile Exchange, the Singapore Exchange, and the London Metals Exchange, respectively, for the commodity on the valuation date. The Company has various commodity derivatives to lock in diesel prices for varying time periods. The fair value of these derivatives is determined based on the spot price each individual contract was purchased at and compared with the one-month daily average actual spot price of the Platts Index for Gulf Coast Ultra Low Sulfur Diesel on the valuation date. In addition, the Company has numerous foreign exchange contracts to hedge our Canadian subsidiaries' variability in cash flows from the forecasted payment of currencies other than the functional currency, the Canadian dollar. The Company defines the fair value of foreign exchange contracts as the amount of the difference between the contracted and current market value at the end of the period. The Company estimates the current market value of foreign exchange contracts by obtaining month-end market quotes of foreign exchange rates and forward rates for contracts with similar terms. The Company uses the exchange rates provided by Reuters. Each commodity and foreign exchange contract term varies in the number of months, but on average is between 3 to 12 months in length. The fair value of our interest rate swap is based on the sum of all future net present value cash flows for the fixed and floating leg of the swap. The future cash flows are derived based on the terms of our interest rate swap, as well as considering published discount factors, and projected forward London Interbank Offered Rates.

The carrying and estimated fair values of our financial instruments at March 31, 2017 and December 31, 2016 were as follows:

	At March 31, 2017		At December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash and cash equivalents	$72.1	$72.1	$80.7	$80.7
Restricted cash	1.2	1.2	1.0	1.0
Receivables less provision for allowances, claims and doubtful accounts	413.7	413.7	326.0	326.0
Accounts payable	337.0	337.0	230.4	230.4
Long-term debt, including current portion	992.5	1,074.5	963.5	1,034.2

The estimated fair value of the Company's cash and cash equivalents, receivables less provision for allowances, claims and doubtful accounts and accounts payable approximate their carrying amounts due to the short-term nature of these financial instruments. The estimated fair value of the Company's long-term debt and the current portions thereof is determined by using quoted market prices of Company debt securities (Level 2 inputs).

Assets Held for Sale

The Company had $1.6 million and $3.6 million of assets held for sale, classified within “prepaid expenses and other current assets,” as of March 31, 2017 and December 31, 2016. The fair values less costs to sell of long-lived assets held for sale are assessed each reporting period that they remain classified as held for sale. Any increase or decrease in the held for sale long-lived asset’s fair value less cost to sell is reported as an adjustment to its carrying amount, except that the adjusted carrying amount cannot exceed the carrying amount of the long-lived asset at the time it was initially classified as held for sale. The fair values of each property were determined based on appraisals obtained from a third-party, pending sales contracts, or recent listing agreements with third-party brokerage firms (Level 2 inputs).

The following table presents those assets that were measured at fair value on our Condensed Consolidated Balance Sheet on a non-recurring basis and their level within the fair value hierarchy at March 31, 2017:

	At March 31, 2017		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Prepaid expenses and other current assets – assets held for sale	$—	$ 1.6	$ —

The following table presents those assets that were measured and recorded at fair value on our Condensed Consolidated Balance Sheet on a non-recurring basis and their level within the fair value hierarchy at December 31, 2016:

	At December 31, 2016		
	Level 1	Level 2	Level 3
	(In millions)		
Assets			
Prepaid expenses and other current assets – assets held for sale	$ —	$ 3.6	$ —

Available-For-Sale Investments

The Company has classified investments made during 2010 and 2012 as available-for-sale at the time of their purchase. Investments classified as available-for-sale are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive income. Management evaluates investments in an unrealized loss position on whether an other-than-temporary impairment has occurred on a periodic basis. Factors considered by management in assessing whether an other-than-temporary impairment has occurred include: the nature of the investment; whether the decline in fair value is attributable to specific adverse conditions affecting the investment; the financial condition of the investee; the severity and the duration of the impairment; and whether we intend to sell the investment or will be required to sell the investment before recovery of its amortized cost basis. When it is determined that an other-than-temporary impairment has occurred, the investment is written down to its market value at the end of the period in which it is determined that an other-than-temporary decline has occurred.

As of March 31, 2017, the investment was in a breakeven position. Management does not currently intend to sell the investment before recovery of its adjusted cost basis. Realized gains and losses are recorded within the Condensed Consolidated Statement of Comprehensive Income upon sale of the security and are based on specific identification.

The Company's available-for-sale securities as of March 31, 2017 can be summarized as follows:

	At March 31, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)			
Common stock	$0.4	$ —	$ —	$ 0.4

The Company's available-for-sale securities as of December 31, 2016 can be summarized as follows:

	At December 31, 2016			
		Gross Unrealized	Gross Unrealized	Fair
	Cost	Gains	Losses	Value
	(In millions)			
Common stock	$0.4	$ —	$ —	$ 0.4

There is no maturity date for these investments and there have been no sales during the three months ended March 31, 2017.

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NOTE 10: STOCKHOLDERS’ EQUITY (DEFICIT), ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) AND REDEEMABLE NONCONTROLLING INTEREST

The following table details changes in these accounts:

	Ryerson Holding Corporation Stockholders										
							Accumulated Other Comprehensive Income (Loss)				
	Common Stock		Treasury Stock		Capital in Excess of Par Value	Accumulated Deficit	Foreign Currency Translation	Benefit Plan Liabilities	Available-For-Sale Investments	Non-controlling Interest	Total Equity
	Shares	Dollars	Shares	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
	(In millions, except shares in thousands)										
Balance at January 1, 2017	37,345	$ 0.4	213	$ (6.6)	$ 375.4	$ (112.2)	$ (50.2)	$ (258.7)	$ 1.1	$ 1.5	$ (49.3)
Net income	—	—	—	—	—	14.8	—	—	—	0.2	15.0
Foreign currency translation	—	—	—	—	—	—	0.4	—	—	0.3	0.7
Gain on intra-entity foreign currency transactions	—	—	—	—							